



Australian Government

Department of Finance and Deregulation

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Establishing a Parliamentary Budget Office in Australia

32nd Annual Meeting of the Working Party of OECD Senior Budget Officials

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Introduction

- There is no “one size fits all” model
- Arrangements for an independent budget office in Australia must be tailored to existing institutional and fiscal frameworks



Charter of Budget Honesty

- Provides for a statement of the economic and fiscal outlook at election time, prepared independently of the Australian Government by the two primary economic and financial agencies.
- This statement has been useful in providing a transparent view of the economic and fiscal outlook at election time.
 - It may also contribute to fiscal discipline more generally, as governments know that an independent report will be prepared.



Charter of Budget Honesty (2)

- The Charter also provides for election commitments to be submitted to Treasury and Finance for costing, with these costings being released publically.
- This process has been subject to criticism. Opposition parties see themselves at a disadvantage compared to the incumbent, and the process has become subject to political debate during elections.
- In recent years, Opposition parties have increased calls for an independent budget advising body



Push for Parliamentary Budget Office (PBO)

- The 2010 election led to independent MPs (not aligned to the three major parties) holding the balance of power.
- Part of the subsequent agreements between these MPs and the Government was a commitment to investigate a PBO.
- A Parliamentary Committee was appointed, and reported in March 2011 supporting the establishment of a PBO.



Key Issues for Consideration

- The OECD's submission to the Parliamentary Committee highlighted a number of key areas for countries who are considering establishing a PBO. Of particular note are:
 - Governance
 - Mandate
 - Access to Information / Publication



Governance

- Independence and non-partisanship of the institution, where the director is appointed by the legislature.
- How the relationship with parliamentary committees and members is governed?
- Relationship of the institution with the Executive and public service.



Mandate

- What is the mandate?
- How should the made be defined?



Access to Information / Publication

- What information should be available to a PBO?
- How should a PBO access this information?
- What should a PBO publish?
- What can/should a PBO keep confidential?



Parliamentary Committee: Key Recommendations

- That the PBO's mandate will be to inform the Parliament by providing independent, non-partisan and policy neutral analysis on the full Budget cycle, fiscal policy and the financial implications of proposals.
- That the position of the Parliamentary Budget Officer should be established as an independent officer of the Parliament through dedicated legislation.



Parliamentary Committee: Key Recommendations

That the role of the PBO will be, inter alia, to:

- respond to requests from individual Senators and Members, regardless of party or Government status, and parliamentary committees; and
- prepare costings – both outside and during the caretaker period.

In relation to election costings, such requests should be:

- costed by either the PBO or by Finance/Treasury; and
- limited to requests from nominated parliamentary party representatives and independent members provided in relation to their own publicly announced policies.



Process and Timelines

- The Joint Select Committee on the PBO was established on 26 November 2010. It invited submissions in relation to its terms of reference and finalised its report, containing 23 recommendations, on 23 March 2011.
- In a joint media release issued on 10 May 2011, the Finance Minister and the Treasurer announced that the Government supported the broad framework for the PBO outlined in the Committee's report.
- As part of its 2011-12 Budget, the Government allocated \$24.9 million over four years for the establishment of the PBO.



Further Issues for the Australian Government and the APS

- The appointment of the Parliamentary Budget Officer.
- The proposed role for the PBO in relation to election commitments, including interaction with the *Charter of Budget Honesty Act 1998*.
- Legislation to establish the PBO.
- Proposed approach is to negotiate a Memorandum of Understanding dealing with the arrangements re the PBO's accessing data and information held by Government agencies:
 - confidentiality and disclosure issues;
 - existing legislative requirements and areas of potential conflict of interest; and
 - mutual trust.



Issues for Australian Government and APS (Finance)

- Relationship between PBO and Finance/Treasury and line agencies.
- Replication of resources.
- Managing workloads in supporting the PBO.
- Managing conflicts of view.